

Message Text

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ACTION EUR-12

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AMEMBASSY LISBON

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E.O. 11652: N/A

TAGS: ETRD, PO, EEC

SUBJECT: EC COMMISSION PRESIDENT ORTOLI'S VISIT TO LISBON MARCH 5-6

REF: (A) EC BRUSSELS 1573, (B) EC BRUSSELS 1491, (C) EC BRUSSELS 1099

1. BEGIN SUMMARY: ORTOLI'S VISIT WAS LARGELY TO SHOW THE FLAG PRIOR TO THE APRIL 25 ELECTIONS. COMMISSION SOURCES FEEL IT SERVED THAT PURPOSE BUT WAS ALSO USEFUL IN CONVINCING ORTOLI OF THE IMPORTANCE OF MEANINGFUL COMMUNITY ASSISTANCE TO PORTUGAL. OUR SOURCES SAY THE ORTOLI PARTY RETURNED WITH THE IMPRESSION THAT SOMETIME AFTER THE ELECTIONS PORTUGAL WOULD APPROACH THE COMMUNITY WITH A REQUEST FOR MEMBERSHIP. THEY BELIEVE THE PORTUGUESE HAVE NO ILLUSIONS ABOUT THEIR CURRENT ECONOMIC READINESS TO JOIN THE COMMUNITY BUT WISH TO FIRMLY ESTABLISH THAT EVENTUAL MEMBERSHIP IS THEIR GOAL AND WISH TO PUT THEMSELVES FIRMLY ON THE ROAD. THE MEMBER STATES ARE STILL NOT BEING VERY FORTHCOMING IN THE TRADE AGREEMENT AND FINANCIAL PROTOCOL AREAS BUT OUR SOURCE IS HOPEFUL THAT THE NEGOTIATIONS ON BOTH POINTS WILL

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BE SUCCESSFULLY CONCLUDED BEFORE THE ELECTIONS. END

SUMMARY.

2. ACCORDING TO NIELSEN, EC COMMISSION CHIEF ADVISER FOR SOUTHERN EUROPE, THE PRIMARY PURPOSE OF ORTOLI'S LISBON VISIT WAS TO REINFORCE THE PORTUGUESE ELECTORATE THE CONTINUING AND MAJOR IMPORTANCE WHICH THE COMMUNITY ATTACHES TO ITS RELATIONS WITH PORTUGAL PRIOR TO THE APRIL 25 ELECTIONS. SHE FEELS THAT THE VISIT ACCOMPLISHED THE PURPOSE. SHE BELIEVES HE MADE A GOOD IMPRESSION. PERHAPS EQUALLY IMPORTANT SHE BELIEVED, ORTOLI RETURNED TO BRUSSELS FULLY CONVINCED OF THE IMPORTANCE OF A MEANINGFUL EC ASSISTANCE PROGRAM FOR PORTUGAL. AMONG OTHERS, HE SAW THE MINISTERS FOR FOREIGN AFFAIRS AND EXTERNAL COMMERCE.

3. NIELSEN SAID THAT ON MARCH 10 SHE HAD ATTENDED A MEETING WITH THE MEMBER STATES ON PORTUGAL AND HAD COME AWAY DISCOURAGED. THEY ARE NOT IN A GENEROUS MOOD. SHE SAID THAT BECAUSE OF THE UNHEALTHY ECONOMIC SITUATION IN THE COMMUNITY THE CLIMATE IS TOTALLY DIFFERENT FROM THAT WHICH PREVAILED WHEN THE EC WAS FORMULATING ITS "GLOBAL" MEDITERRANEAN APPROACH IN 1972. SHE ADDED FACETIOUSLY THAT IF ONLY THE PORTUGUESE DEMOCRATIZED THEMSELVES THEN THEY COULD HAVE EXPECTED A MUCH BETTER DEAL.

4. THE WHOLE FINANCIAL PROTOCOL ISSUE, SHE SAID, IS BOGGED DOWN OVER THE QUESTION OF WHAT THE FUTURE OF THE EUROPEAN INVESTMENT BANK (EIB) WILL BE WITH RESPECT TO INVESTMENTS OUTSIDE THE COMMUNITY (SEE ECA-91). SHE HAD HOPED THIS ISSUE WOULD BE CLARIFIED BY THEIR GOVERNORS AT THE FEBRUARY 16 MEETING BUT IT HAD BEEN PUT OFF UNTIL MARCH 15. IN THE INTERIM NO WORK HAS BEEN DONE ON THE PORTUGUESE FINANCIAL PROTOCOL AND THE EXPERTS ARE NOT NOW EXPECTED TO MEET AGAIN UNTIL MARCH 19, AFTER THE EIB GOVERNING BOARD MEETING. (COMMENT: MANY OFFICIALS HERE BELIEVE THIS ISSUE OF EIB LENDING TO THIRD COUNTRIES WILL NOT BE RESOLVED UNTIL THE JOINT FOREIGN MINISTERS AND FINANCE MINISTERS COUNCIL MEETING ON APRIL 5-6, IF THEN. END LIMITED OFFICIAL USE

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COMMENT.) THEORETICALLY, SHE SAID, ONE COULD DRAW UP A FINANCIAL PROTOCOL IN HALF A DAY. IT IS REALLY ONLY A MATTER OF DECIDING HOW LONG IT WILL RUN, PUTTING A FIGURE ON IT, DIVIDING THE FIGURE BETWEEN THE EIB AND THE MEMBER STATES, AND AGREEING ON SOME INTEREST SUBSIDIES. PRACTICALLY, HOWEVER, THAT IS NOT THE WAY THE COMMUNITY WORKS.

5. IN SPITE OF THE DIFFICULTIES, NIELSEN IS HOPEFUL THAT THEY WILL BE RESOLVED IN TIME TO HAVE A PACKAGE READY FOR THE FOREING MINISTERS COUNCIL, APRIL 5-6, AND THAT THE NEGOTIATIONS, INCLUDING THE FINANCIAL PROTOCOL, COULD STILL BE COMPLETED PRIOR TO THE APRIL 25 ELECTIONS. AS A PRACTICAL MATTER, HOWEVER, SHE NOTED THAT THE EUROPEAN PENCHANT FOR LONG EASTER HOLIDAYS WILL NOT HELP MATTERS.

6. NIELSEN SAID THAT THERE COULD CLEARLY BE NO OVER-ALL AGREEMENT WITH THE PORTUGUESE WITHOUT THE FINANCIAL PROTOCOL. WHAT IS BEING OFFERED IN COMMERCIAL ARRANGEMENTS, IN MIGRANT WORKER STATUS AND IN THE INDUSTRIAL AREA IS THIN INDEED. SOME PORTUGUESE HAVE TOLD HER THAT ON BALANCE THE NEW AGREEMENT WILL BE A STEP BACK FROM THE CURRENT ARRANGEMENTS AND SHE CONFESSED THAT IF SHE WERE IN THEIR SHOES THAT IS HOW SHE WOULD VIEW IT.

7. ON A STRICTLY CONFIDENTIAL BASIS NIELSEN SAID THAT ALTHOUGH NOTHING ALONG THESE LINES HAD BEEN SPECIFICALLY TOLD ORTOLI OR THE OTHERS IN THE EC CPARTY, THEY RTURNED WITH THE DISTINCT IMPRESSION THAT SOME TIME AFTER THE ELECTIONS PORTUGAL WOULD APPROACH THE COMMUNITY WITH A REQUEST FOR MEMBERSHIP. SHE SAID THE PORTUGUESE HAD NO ILLUSIONS ABOUT THEIR ECONOMY BEING CURRENTLY READY FOR THE EC, BUT SHE BELIEVED THE PORTUGUESE WISH TO FIRMLY ESTABLISH THAT MEMBERSHIP IS THEIR ULTIMATE GOAL AND THEY WISH TO BEGIN FORMAL MOVEMENT TOWARDS IT. SHE SAID THAT IF THE PORTUGUESE DID APPLY FOR MEMBERSHIP AND THE COUNCIL ASKED THE COMMISSION FOR ITS OPINION, SHE BELIEVED THAT THE PROTUGUESE WOULD PROBABLY BE VERY SATISLIMITED OFFICIAL USE

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FIED WITH THE THPE OF OPINION WHICH HAD SO UPSET THE GREEKS, I.E. A GENERAL COMMITMENT TO THE PRINCIPLE OF MEMBERSHIP BUT THE SUGGESTION OF A PRE-MEMBERSHIP PERIOD DURING WHICH THE COMMUNITY WOULD USE ITS RESOURCES TO ASSIST THE PROTUGUESE ECONOMY TO PREPARE ITSELF FOR THE DEMANDS OF MEMBERSHIP. HINTON

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